

2004 file photo by Kevork Djansezian, AP

Building an empire: Mary-Kate, left, and Ashley Olsen, 18, began their acting careers at 9 months old on *Full House*.

Billion-dollar teens

Celebrity pair take business seriously

By Jim Hopkins
USA TODAY

New York University has hundreds of young women in its freshman class this spring.

But two stand out. The famous Olsen twins: child stars, now 18, who took control of their billion-dollar consumer-goods empire four months ago and hired a new CEO to chart its uncertain future.

Dualstar Entertainment Group, founded when Mary-Kate and Ashley Olsen were just 6, was among the first to mine the now-\$335 billion "tweens" market: kids 8 to 12.

Cover story

Ever since, girls have flocked to Dualstar's cheery videos, books, dolls, cosmetics and clothes. "The most fabulous clothes I ever saw," Tyiesha Burris, 8, said while eyeing a celery-green blouse at a Wal-Mart outside San Francisco.

Now the multimillionaire Olsens and their company are at a crossroads. The twins are no longer the little girls on the *Full House* TV show, unburdened by adult cares. That makes it harder for their younger core customers to relate to them, says Laura Groppe, president of consultant Girls Intelli-



By Rene Alston,
USA TODAY

Popular brand: Mary-Kate and Ashley Olsen dolls by Mattel.

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Transition to bigger market underway

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gence Agency.

Their last big-screen foray, *New York Minute*, fizzled at the box office last year. Moreover, Mary-Kate's widely publicized battle with an eating disorder highlights the pitfalls, known well to Martha Stewart's backers, of building a business around a personality

Cover story

— or two.

"They're facing all these questions," Groppe says. "It could kill the brand if they make the wrong choices."

The Olsens believe they're already making the right ones. In March, Dualstar launched a bedroom-furniture line and added to its fragrance collection — products expanding the company beyond tweens into the more lucrative teen market. Without abandoning tweens, Dualstar is considering more teen offerings in home décor and fashion.

The Dualstar name may well be developed as its own brand, less reliant on the Olsen name, which is displayed prominently on clothing racks.

"We have this little gold mine here that has not really been brought to the surface," says CEO Diane Reichenberger, an apparel-industry veteran who won the top job in February after a tough interview with the Olsens.

The company, already selling in 15 foreign countries, is reaching for even more global business, says Ashley Olsen, who agreed to be interviewed by e-mail.

"The opportunities are endless," she told USA TODAY in the e-mail interview.

Two stars are born

The Olsens have come far since 1993, when their then-manager, attorney Robert Thorne, founded Los Angeles-based Dualstar and became its CEO.

The company launched after the twins, who grew up in the Los Angeles area, became stars sharing the *Full House* role of Michelle Tanner. The 1987-95 series, still in syndication, featured actor Bob Saget as a San Francisco widower



"We are involved from beginning to end with our fragrances, too. Mary-Kate and I have different tastes, so it is great we have the opportunity to create two fragrances."

— Ashley Olsen

By Leslie Smith Jr., USA TODAY

raising three young daughters; Michelle was the youngest.

Dualstar, starting with *Our First Video*, churned out dozens of direct-to-video movies and books. The company's big break came with the 2001 launch of a clothing line sold exclusively at Wal-Mart, the world's biggest retailer.

Dualstar, with about 25 employees, no longer discloses revenue. It says only that 80% of sales are in clothing and other consumer goods; the rest are in videos and other entertainment fare.

Thorne was quoted last year saying annual revenue was about \$1 billion. *Forbes* estimated sales were higher: \$1.4 billion, up from \$1.2 billion in 2003.

That has made the twins rich, published estimates say. *Forbes* says the Olsens took home \$28 million overall last year, ranking them at No. 48 on its list of 100 highest-paid celebrities. (No. 1: actor-director Mel Gibson, \$210 million.)

Last fall, Mary-Kate and Ashley landed for the first time on *Fortune*'s list of the richest people under age 40; it pegged their wealth at \$137 million each.

Those big numbers reflect Dualstar's success in pioneering the tweens market. "They've proven the concept," Groppe says.

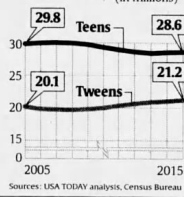
"Who would have thought that fragrances would be selling to a tween?" she adds, referring to Dualstar products. "And they are."

Marketing directly to young consumers began around World War II with junior-misses clothing catalogs, says Alissa Quart, author of *Branded: The Buying and Selling of Teenagers*.

Fast forward to the 1990s, when growth in targeted advertising such as e-mail pitches helped give

'Tweens' to teens

Mary-Kate and Ashley Olsen helped pioneer the "tweens" market, kids 8 to 12 years old. Now, their Dualstar Entertainment Group is expanding more into the teen market. Projected U.S. male and female tweens and teens: (in millions)



See a photo gallery of Mary-Kate and Ashley Olsen at money.usatoday.com.

birth to the tween market as the Olsens were becoming famous, Quart says. Thorne leveraged their celebrity, marketing to girls who wanted all things Mary-Kate and Ashley.

Now entering adulthood, the Olsens are focusing more on Dualstar. They bought out Thorne in January for an undisclosed amount, then hired Reichenberger.

Reichenberger, 43, worked her way up the apparel industry at Gap, Levi Strauss, Joe Boxer and L.A. Gear. In February, during a career break doing philanthropic work, she was contacted about Dualstar.

She met the Olsens' father, Dave (their parents are divorced). He is one of Dualstar's five directors. Then Reichenberger flew to New

York to meet Mary-Kate and Ashley over a two-hour sushi dinner.

The twins didn't toss softball questions. Ashley wanted to know about Reichenberger's business experience. Mary-Kate questioned her about management style: "what kind of relationships I've built in the past and how I maintained them," Reichenberger says.

Her impression of the teen moguls: "They're smart. They're articulate. They're rational."

Rapport is crucial, Ashley said in the e-mail interview: "It is Diane's responsibility to make sure she is an extension of us."

Very much involved

Reichenberger and Dualstar's design staff are in Los Angeles, where they handle day-to-day operations. That includes relations with vendors such as fragrance giant Coty, and with Wal-Mart, Sears, Target and other retailers.

The Olsens, full-time college freshmen, aren't absentee owners. They track business in weekly telephone conference calls, examining product designs shipped via e-mail, and in less-frequent face-to-face meetings with executives.

"They review the projections. They review the categories," Reichenberger says.

The twins, for example, had final say over the furniture line made by Canadian manufacturer AP Industries. They wanted an antique look, though their tastes diverge a bit.

Ashley favored white, celery and other "classically styled" colors, Reichenberger says. Mary-Kate chose darker, more weathered looks. The two focused on details down to hardware.

"We are involved from beginning

to end with our fragrances, too," Ashley said. "Mary-Kate and I have different tastes, so it is great we have the opportunity to create two fragrances."

The beds, vanities, nightstands and other pieces are sold at retailer Levitz. Beds start at \$699, dressers at \$799. And in a sign of a market shift, the furniture is sold with less emphasis on the Olsen name and visuals. At Wal-Mart, the girls' photographs are mounted prominently on clothing racks.

Reichenberger says the Olsens' original tween customers have aged with the Olsens; so as teens, they'll buy the new fragrances, Coast to Coast LA and Coast to Coast NYC, plus cosmetics, furniture and other goods.

In Fort Loramie, Ohio, Gwen Ludlow says she and her daughter, Kenleigh, 13, might stick with the brand. "The perfume, for sure," she says. The Ludlows quit buying Olsen clothes about a year ago, when Kenleigh decided it wasn't cool to shop in the girls department at the nearby Wal-Mart. Ludlow says.

Teenagers can be a tougher sell than tweens, marketing experts say. They often have their own money, so are more independent and less reliant on parents in deciding what to buy.

They can also be more fickle, giving merchants fits over what's hot or not, as seen in the roller-coaster fortunes of such fashion retailers as Wet Seal.

"Teacherous waters," says Julie Halpin, CEO of The Geppetto Group, a youth marketing consultant in New York.

Moreover, teenage tastes lean away from the wholesome, bubblegum-pink and citrus-yellow palette of Dualstar's line, Halpin says, and

toward an edgier look closer to the one Mary-Kate and Ashley now choose for themselves.

Newspapers and magazines following their every move have charted their adoption of ankle-length peasant skirts, outsized hats and other accoutrements of what stylists dub "ashcan chic."

To grab teen dollars, Dualstar will need "different products, different categories, different aesthetics," Halpin says. That could mean tech products, such as cellphones and digital music players. "Mom and Dad might not shell out a couple hundred bucks" for those gizmos, Halpin says, but a teen could with money from an after-school job.

Halpin says Dualstar could transform itself into a brand representing a broader lifestyle, such as the "old money" cachet Ralph Lauren crafted for his sprawling fashion and home décor business.

Indeed, that's an approach Reichenberger is sketching out. Dualstar and the Olsens, through the design and endorsements of other products, would represent a sensibility attractive to post-tweens.

"Anything that has their stamp on it conveys quality and style," is how Nichole DiModica, executive director of global operations, imagines it.

The trick also is to hang onto tween fans like Tyiesha, the 8-year-old shopping with her mom one recent Saturday at Wal-Mart in San Leandro, Calif. "I like their style," Tyiesha says, smiling shyly. "I'm into orange and hot pink."

In a year or two, mom Tammy Brown says, Tyiesha will be too big for Dualstar duds. Still, in a positive sign for the company, Brown says she'd like to see some of that new Olsen furniture.

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